

Task Order No. 832  
USAID Contract No. PCE-I-00-96-00002-00

**Egyptian Environmental Policy Program  
Program Support Unit**

**Tranche 2, Objective 2**

*(Translation to English of the)*

***Initial Report on the Impact of the User Fee of  
Giftun Islands***

***Dr. Mahmoud Hanafy***

July 2002

PSU-75

Translation

**FOR  
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
CAIRO**

by  
**Environmental Policy & Institutional Strengthening  
Indefinite Quantity Contract (EPIQ)**

**A USAID-funded project consortium led by International Resources Group, Ltd.**

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## Fact Sheet

<b>USAID Contract No.:</b>	PCE-I-00-96-00002-00 Task Order No. 832
<b>Contract Purpose:</b>	Provide core management and analytical technical services to the Egyptian Environmental Policy Program (EEPP) through a Program Support Unit (PSU)
<b>USAID/Egypt's Cognizant Technical Officer:</b>	Holly Ferrette
<b>Contractor Name:</b>	International Resources Group, Ltd.
<b>Primary Beneficiary:</b>	Egyptian Environmental Affairs Agency (EEAA)
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<b>Work Assignment Supervisor:</b>	Dr. Jan Laarman
<b>Work Assignment Period:</b>	April 2002

## Preface

Through competitive bidding, the U.S. Agency for International Development (USAID) awarded a multi-year contract to a team managed by International Resources Group, Ltd. (IRG) to support the development and implementation of environmentally sound strategic planning, and strengthening of environmental policies and institutions, in countries where USAID is active. Under this contract, termed the Environmental Policy and Institutional Strengthening Indefinite Quantity Contract (EPIQ), IRG is assisting USAID/Egypt with implementing a large part of the Egyptian Environmental Policy Program (EEPP).

This program was agreed-to following negotiations between the Government of the United States, acting through USAID, and the Arab Republic of Egypt, acting through the Egyptian Environmental Affairs Agency (EEAA) of the Ministry of State for Environmental Affairs, the Ministry of Petroleum's Organization for Energy Planning, and the Ministry of Tourism's Tourism Development Authority. These negotiations culminated with the signing of a Memorandum of Understanding in 1999, whereby the Government of Egypt would seek to implement a set of environmental policy measures, using technical support and other assistance provided by USAID. The Egyptian Environmental Policy Program is a multi-year activity to support policy, institutional, and regulatory reforms in the environmental sector, focusing on economic and institutional constraints, cleaner and more efficient energy use, reduced air pollution, improved solid waste management, and natural resources managed for environmental sustainability.

USAID has engaged the EPIQ contractor to provide Program Support Unit (PSU) services to EEPP. The PSU has key responsibilities of providing overall coordination of EEPP technical assistance, limited crosscutting expertise and technical assistance to the three Egyptian agencies, and most of the technical assistance that EEAA may seek when achieving its policy measures.

The EPIQ team includes the following organizations:

- Prime Contractor: International Resources Group
- Partner Organization:
  - Winrock International
- Core Group:
  - Management Systems International, Inc.
  - PADCO
  - Development Alternatives, Inc.
- Collaborating Organizations:
  - The Tellus Institute
  - KBN Engineering & Applied Sciences, Inc.
  - Keller-Bliesner Engineering
  - Conservation International
  - Resource Management International, Inc.
  - World Resources Institute's Center For International Development Management
  - The Urban Institute
  - The CNA Corporation.

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## General

Reference is made to the enforcement of the ministerial decree no. 92 for the year 1992, issued by the Minister of State for Environmental Affairs, imposing entrance fees on Giftun Islands as of April 1, 2000.

This report outlines all the impacts of enforcing the above decree during the period from April 1 through April 30, 2000.

### **First: Collecting fees and bookings:**

- The officials in the diving center or the tourism agency pre-book the tickets in the protectorates' office daily for certain number of visitors. The fee is collected in hard currency (\$5) for the foreigners and local currency (LE5) for Egyptians. In case of lack of hard currency, the fee is paid in Egyptian pounds at exchange rate of \$1 = LE3.45
- To ease the situation for diving centers and tourism agencies, date-free tickets are provided to be used over several days. Also, boats that are found on the islands with no tickets are allowed to sign a commitment that they will pay the fees after returning from the visit within certain time limit.

### **Second: Monitoring and control:**

Due to the fact that the area in question is very big and hard to control as it has multi entrances and outlets as well as its adjacent to many diving sites (figure 1) and also due to the lack of dates on the tickets. 4-6 rangers using two tourist boats and additional boat in some days are monitoring the boats movement and their distribution in the fees-free areas to oversee the impacts on such places and conducting the control process. Therefore, 2-3 boats are rented daily and the rent is funded by USAID.

#### ***Daily cost of monitoring and control:***

The daily cost average of the monitoring and control works is about LE812.4 based on the cost of the rented boats and monitoring personnel according to their salaries during the period from April 1 to April 30, 2000. During that period, the total cost of boat rental and personnel wages was about LE24372, funded by USAID. It is expected that this amount will be reduced dramatically after repairing the two boats of the protectorates, as the spare parts are not yet imported from USA.

### **Fourth: Daily income:**

Table 2 shows the weekly income average and the number of weekly sold tickets. Despite the numbers of the visitors to Giftun Islands has been decreased by more than a third before enforcing the decree, yet the total income during the period from April 1 to April 30 reached LE126367,75 and \$30826 equals LE232717,45. Assuming this is a fixed income, thus the annual income would be LE2792609,4

**Table 1      Tickets Sold and Weekly Income, 1–30 April 2000**

Serial	Date	Sold Egyptian Tickets	Sold Foreigners' tickets	Income LE	Income \$
1	1-7/4	170	3296	2631.5	9090
2	8-15/4	91	3351	28534.5	7245
3	16-22/4	156	3269	31086.75	6234
4	23-30/4	203	3395	40432	8257
<b>Total</b>		620	13311	126367.75	30826

**Fifth: Impact of the Decree:*****Increasing the pressure on the diving sites in Hurghada area***

Since the enforcement of the decree, and as expected, great disorder happened in the distribution of diving boats and visitors to the diving sites in Hurghada area. Table 3 shows this change in the average number of boats and visitors before and after enforcing the decree in the diving sites nearby Giftun Islands, which can be summarized as follows:

- Decreasing the average boat number from 61.4 to 27.4 daily at 55% as well as decrease in the visitors average from 989.4 to 399.3 daily for Giftun Islands.
- Increase of the boats and visitors in the adjacent areas at 20% to 300% rates.
- Assuming that each visitor makes one dive daily, although in most cases divers make two dives daily and calculating the number of dives yearly for each area before and after enforcing the law. And based on the first two weeks as of enforcing the law and that the safe dives average is 1000 to 15000 dive per site yearly, we can conclude the following:
  - A- The dives in the 12 sites of Giftun were decreased from 361131 to 145745 means from 30094 dives to 12145 dives per site yearly. This would benefit the coral reefs in the area.
  - B- On the other hand, before enforcing the law the yearly dives were above the maximum allowable limits (15000 dives) in all diving sites in Hurghada except for Bitra Reef, Erk Keshta, and Erk Magawish. It is expected that these numbers will be doubled to go far beyond the allowable limits, which will affect negatively the coral reefs in these places (see table 2).



**Table 2      Number of Boat Visits**

Place	Boats number before the decree	Boats number after the decree	Daily visitors average before the decree	Daily visitors average after the decree	Yearly visitors average before the decree	Yearly visitors average after the decree	Lost moorings after enforcing the decree *
Giftun Islands	61.4	27.4	989.4	399.3	361.131	145745	2
Abu Ramad Island	8	12	70.4	105.6	25696	38544	4
Abu Ramad Piece	9	16	79.2	140.8	28908	51392	1
Grand Magawish	3	9.6	66	211.2	24090	77088	1
Small Magawish	4	5	88	110	32120	40150	-
Bitra Reefs	4	11.3	35.2	99.44	12848	36296	-
Keshta Reefs	3	9	26.4	79.2	9636	28908	-
Erk Magawish	3	8.6	26.4	75.68	9936	27623	1
Erk Tawil	6.6	8	58.08	70.4	21199	25711	2

\* There is no accurate data due to the differences between the data obtained from HIPCA and their conflict with the reality.

### ***Impact on the mooring system:***

This misdistribution of the boats and visitors numbers indicates a serious threat to the mooring system. Indeed there are numbers of buoys reported missing in some areas like Grand Giftun, Abu Ramad, and Magawish.

Unfortunately, there is no accurate and sufficient data about the moorings in these areas. Currently, there are preparations to conduct a survey on the moorings based on self-efforts of Hurghada branch to develop a plan for maintenance and renewal. Recently, 19 manta and 12 anchors were missing in the Giftun area and nearby areas out of which 11 buoys and marine beam were missed in April only from Giftun Islands and 8 nearby sites (table 3).

*Impact on tourism in Hurghada:*

Many of diving centers' owners and individuals working in the tourism field pointed out that the enforcing of fees in Giftun Islands would affect tourism. In a meeting between the Red Sea Governor and a group of investors on 15/4/2000, some of the diving centers' owners raised this issue, as it would negatively affect the tourism. The Governor replied that he would contact the Minister of Environment to try to decrease the fees. A questionnaire was conducted on many of the workers in the tourism field through two broaden meetings and field visits. Their viewpoints were as follows:

- 1- "Cease collecting the fees as they burden our interests". This is the viewpoint of tourism agencies and diving centers of low resources that are run totally by Egyptians. These centers and agencies depend on the snorkeling activities, the daily rate of which is \$10 to \$14. This means that the fees will increase the cost by up to 50%, which will negatively affect the activity. The tourists of these agencies are low-income agents and have poor awareness of environmental issues. The owners of theses agencies said that the fees would affect their business in the favor of the big agencies that are run by foreign labor.
- 2- Some of these low-capacity agencies and diving centers agree to impose \$30 weekly fee per boat, but this is not practical at all as the boats capacities are different as well as the frequency of their trips.
- 3- The majority of these agencies and centers said that imposing \$1 per foreigner and LE1 per Egyptian and expand this all over Hurghada would not affect their business.
- 4- Decrease the fee from \$5 to \$2 or \$3 and expand it all over Hurghada diving sites. This is the viewpoint of the private diving centers of high-income tourists that are run by foreign labor. They based their opinion on the following:
  - The current situation increases the pressure on the other sites to avoid paying fees, which endangers the environment and the mooring system.
  - Imposing fees increased the cost by 15%, as the average of diving day is \$28 to \$34, which in somehow is high although the reflections are not yet clear.
  - All these centers consider the fee is fair enough and in their own interest, as it would curb the cheap tourism in some areas, especially in Giftun, which will decrease the numbers of users and allow their customers to enjoy the place.
- 5- Decrease the fee to \$3 maximum and expand it over the whole Red Sea area not only Hurghada to avoid competition with other Red Sea areas, especially Safaga. These centers said that there must be services to provide against the fees. Theses services, according to them, must include:
  - Taking care of the moorings.
  - Develop some handouts in a nice way for marketing purposes.
  - Paying attention to deepwater medicine and hospitals and donate part of the fees to improve the service in the decompression rooms, emergencies, and transports.

## Sixth: Proposals and Recommendations:

### *Expand the fee decree all over Hurghada area:*

It is evident that increasing the pressure on the other diving sites necessitates reconsidering the decree to expand it over all diving sites to reduce the pressure on the environment and on the mooring system.

#### **Expected Problems:**

- C- It is expected that this expansion will increase the difficulty of monitoring and control process over all diving sites due to lack of personnel as well as the high operational costs.
- D- According to some diving centers' owners, it may affect the tourism activities in Hurghada in favor of the south area, especially Safaga. I see that the effect would be minor due to the higher prices in Safaga, especially the rates of hotels in Safaga are higher than Hurghada

#### **The solutions:**

- A- Coordinate with the Border Intelligence in monitoring and control activities, through linking between the travel permissions and the tickets from the protectorates. The security person should print the date on the tickets or tear them. This needs to be coordinated with Border Intelligence in Cairo. I believe that the monitoring and control process in this way would be easier and less costly.
- B- Expand this system all over the Red Sea area in the future to mitigate the competition among various areas.

### *Reduce the fees:*

We believe that reducing the fee and issuing a decree to expand it over all diving sites in Hurghada would benefit both the tourism and diving agencies and the protectorates as well. As for tourism agencies and diving centers, this will reduce the cost for the tourists, which will not affect the tourism in Hurghada. As for the general income of the protectorates, it is expected to increase tremendously assuming that the monthly income from April 1 to April 1, 2000 is fixed all over the year that is LE232717 means LE2792609 yearly for Giftun Islands.

And based on the data collected by GEF project and the data disseminated by TDA, Red Sea Governorate, and Diving Centers in 1996 (where the tourism was low due to Luxor terrorist attack), Hurghada visitors were 455 thousands, out of which 30% are diving fans or 136500 average divers during that year.

Assuming that each diver conducts diving for five days (as normal) the yearly total number of dives =  $136500 \times 5 = 687500$  excluding the snorkeling activities, which are big and despite that the tourism rates now, which are better than 1996.

Therefore, we can calculate the expected income from all diving sites in Hurghada and the expected increase in the diving cost, based on the one-day diving cost is \$30 (stated by most of diving centers), as follows:

**Table 3 Proposed Fees**

Proposed fee	Income per year	% Increase of diving cost
\$5	\$3412500	16.7%
\$3	\$2047500	10%
\$2	\$1365000	6.7%
\$1	\$682500	303%
Current situation (Giftun only)	\$809452 (Giftun only)	6.7% (Giftun only)

Therefore, we recommend decreasing the fee to \$3 and expanding its application initially to all diving sites in Hurghada and to all Red Sea area in the future for the following reasons:

- Reducing the pressure on other diving sites and reduces the load on the moorings.
- The increase rate of the cost for the diving centers and tourism agencies would be 10%, which will not affect their business but to the minimum on the low-capacity agencies that recruit the tourists of low environmental awareness, which if happened would be for the benefit of the environment.
- The expected yearly income will be higher than what we calculated now by 2.5 times.

***Services and requirements:***

**A- Establish Financial and Control Unit, comprise of:**

No.	Position.
1	Unit Manager
2	Accountant
4	Rangers
3	Ticket officers

**B- Upgrading the mooring system:**

A comprehensive plan for maintenance and upgrading is underway and can be summarized as follows:

**Table 4 Maintenance and Upgrading Plan**

Phase	Duration	Works	Implementing Agency	Requirements
Short-term	Two months	<ul style="list-style-type: none"> <li>- Comprehensive survey for the moorings in Hurghada.</li> <li>- Maintain the moorings of Hurghada.</li> <li>- Install missing moorings.</li> </ul>	<ul style="list-style-type: none"> <li>- Red Sea &amp; South Sinai Protectorates.</li> <li>- Professionals (through USAID)</li> </ul>	<ul style="list-style-type: none"> <li>- Diving boat, floats, mantas, ropes (available in Hurghada).</li> <li>- Generator (Ras Mohamed).</li> </ul>
Medium-term	One year	<ul style="list-style-type: none"> <li>- General survey on Red Sea. Establishing Moorings' Unit.</li> <li>- Installing the missing moorings in the Red Sea.</li> <li>- Explore new diving sites to reduce the pressure on the current ones.</li> </ul>	<ul style="list-style-type: none"> <li>- Red Sea &amp; South Sinai Protectorates.</li> <li>- USAID.</li> <li>Diving centers.</li> <li>NGOs</li> </ul>	<ul style="list-style-type: none"> <li>- Regular diving boats.</li> <li>- Professionals hired by USAID as basis of the moorings' unit.</li> </ul>
Long-term		<ul style="list-style-type: none"> <li>- Establishing integrated system for monitoring and maintenance.</li> <li>- Upgrade the whole system to comply with the boats sizes and the capacity of each site.</li> <li>- Equip the new diving site with moorings.</li> </ul>	<ul style="list-style-type: none"> <li>- Red Sea Protectorates (Moorings Unit).</li> <li>- USAID.</li> <li>Diving centers.</li> <li>NGOs</li> </ul>	Identify a permanent source for funds through EEAA.

**C- Communications & Publicity:**

Through developing some handouts in good shape for the benefit of tourism agencies and diving centers to help in marketing activities and promoting the environmental awareness.

**D- Environmental Cleansing:**

Through assigning a specialized company in the field and seeking the help of the NGOs, schools (as a public awareness method), and the volunteers.